



Ofgem
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Draft Forward Work Programme 2018-19

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to comment on Ofgem's draft work programme for 2018/19. Providing stakeholders with an ability to help shape Ofgem's programme of work is supported and we welcome the transparency provided through the publication of Ofgem's planned activities and deliverables for the year.

We have contributed to the development of the response submitted by Energy UK and support the views expressed within the response, which we do not seek to repeat in this letter. However, we would like to take the opportunity to raise the additional points set out below.

Licensing of Suppliers

We would support Ofgem undertaking a review of its current approach to licensing suppliers. To date, the regulatory focus appears to have been ensuring that barriers to entry are low. However, in a market such energy some barriers are required in order to adequately enforce standards such that customers receive a fair service and that GB consumers as a whole remain appropriately protected. We believe that where regulatory burdens are lowered in order to promote innovation and new entry, there is an increased risk that without changes to market entry requirements, that certain business models may fail.

We would like to see Ofgem take a more proactive role in assessing market entrants and monitoring the financial health of suppliers, in a similar way to the monitoring that takes place in the banking sector. We are therefore keen to understand how and when Ofgem intends to review the existing arrangements. This is all the more important given the cost of insolvencies are likely to be socialised across other suppliers under the Supplier of Last Resort (SoLR) provisions and therefore ultimately borne by energy customers.

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This is expected to be the case for Future Energy's customers where it is reported that its customer's had credit balances of about £250 each which will be protected through the SOLR appointment arrangements.

Secure and promote

We are concerned with Ofgem's continued lack of clarity on when its fundamental review of the secure and promote policy will happen and note that no mention of any work in this area is laid out in the draft Forward Work Programme. We believe Ofgem now has sufficient information to at least consult on the scope, objectives and timetable for the review.

More immediately, despite the modest changes recently proposed by Ofgem, we remain concerned that the policy is not robust, particularly in respect of the criteria used for selecting the licensee's to which the obligation applies. We note this was an issue consistently raised by respondents to Ofgem's recent consultation. Given the CMA's findings on vertical integration (which has debunked the notion of vertical integration being a barrier to wholesale market liquidity) and the further structural changes that may arise from the proposed merger of the domestic supply businesses of RWE and SSE, we believe Ofgem urgently needs to address this issue so that a revised policy on obligated parties is in place by winter 2018/19 at the latest.

Targeted Charging Review

We are fully supportive of Ofgem's proposals for a Targeted Charging Review and are aligned with the Ofgem working paper published in early November 2017 in terms of how the review would proceed. We would like to see Ofgem make timely progress on this issue and are therefore supportive of it being a key activity in 2018-19 within Ofgem's proposed forward work plan.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre on 01452 653741, or myself.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

Paul Delamare
Head of Customers Policy and Regulation